



**FACTORS INFLUENCING ACCOUNTING STUDENTS'
INTENTION TO BECOME A PROFESSIONAL
ACCOUNTANT IN MALAYSIA**

BY

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**A dissertation submitted in fulfillment of the requirement for
the degree of Master of Science (Accounting)**

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ABSTRACT

In 2009, Malaysia and other ASEAN countries signed the Mutual Recognition Arrangement on Accountancy Services (MRAAS), designed to enhance the supply and further widen the professional accounting services across the ASEAN countries. However, the professional accountants' segment in Malaysia is currently underserved due to the limited number of registered accountants under the Malaysian Institute of Accountants (MIA). Thus, the purpose of the study is to explore factors influencing and hindering students' intention to become a professional accountant in Malaysia. The sample of the study consists of students in a public and a private university in Malaysia who had already undergone industrial training. The findings suggest that students who have the intention to become professional accountants are influenced by self-efficacy, job security, and subjective norms while students with no intention to pursue the profession are affected by intrinsic factors, self-efficacy, subjective norms, and financial costs. The findings provide insights to universities, professional bodies, and organisations on the factors that could motivate undergraduate students to become professional accountants in the future. Besides, the findings could be beneficial to the relevant authorities in developing strategies to attract more accounting graduates to obtain professional accounting qualifications.

خلاصة البحث

في عام 2009 ، وقعت ماليزيا ودول الآسيان الأخرى على ترتيب الاعتراف المتبادل بشأن خدمات المحاسبة المصمم لتعزيز العرض وتوسيع خدمات المحاسبة المهنية في جميع أنحاء دول الآسيان. ومع ذلك، فإن شريحة المحاسبين المحترفين في ماليزيا تعاني من قلة الخدمات بسبب العدد المحدود للمحاسبين المسجلين في المعهد الماليزي للمحاسبين. وبالتالي، فإن الغرض من الدراسة هو استكشاف العوامل التي تؤثر على نية الطلاب وتعيقهم ليصبحوا محاسبًا محترفًا في ماليزيا. وعينة الدراسة تتكون من الطلاب في جامعة عامة وخاصة في ماليزيا الذين خضعوا بالفعل للتدريب الصناعي. وتشير النتائج إلى أن الطلاب الذين يعتزمون أن يصبحوا محاسبين محترفين يتأثرون بالفعالية الذاتية والأمن الوظيفي والمعايير الذاتية، في حين أن الطلاب الذين لا يعتزمون متابعة المهنة يتأثرون بالعوامل الجوهرية والفعالية الذاتية والمعايير الذاتية والتكاليف المالية. وتوفر النتائج نظرة ثاقبة للجامعات والهيئات المهنية والمنظمات بشأن العوامل التي يمكن أن تحفز الطلاب في المرحلة الجامعية ليصبحوا محاسبين محترفين في المستقبل. وبالإضافة إلى ذلك، يمكن أن تكون النتائج مفيدة للسلطات المعنية في وضع استراتيجيات لجذب المزيد من خريجي المحاسبة للحصول على مؤهلات المحاسبة المهنية.

APPROVAL PAGE

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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Nuraida Amira binti Baharin

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LIST OF ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
ASEAN	Association of Southeast Asian Nations
CGPA	Cumulative Grade Point Average
CIMA	Chartered Institute of Management Accountants
CPA Australia	Certified Practising Accountant Australia
CSAP	Committee to Strengthen the Accountancy Profession
ETP	Economic Transformation Programme
ICAEW	Institute of Chartered Accountants in England and Wales
ICT	Information and Communication Technology
IPO	Initial Public Offering
MASB	Malaysian Accounting Standards Board
MACPA	Malaysian Association of Certified Public Accountants
MICPA	Malaysian Institute of Certified Public Accountants
MRA	Mutual Recognition Arrangement
MRAAS	Mutual Recognition Arrangement Framework on Accountancy Services
SCT	Social Cognitive Theory
SCCT	Social Cognitive Career Theory
SPM	<i>Sijil Pelajaran Malaysia</i>
SME	Small and Medium Enterprises
KPMG	Klynveld Peat Marwick Goerdeler
TPB	Theory of Planned Behaviour

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

In the earliest history of civilisation, accountancy can be seen as dealing with simple transactions because the barter system was used, such as exchanging animals, agriculture products, tools, or goods. However, as time passed, accounting now is dealing with money rather than real goods. The single-entry bookkeeping used was impractical due to the complexity of transactions arising from open market trading. Then, Luca Pacioli, known as the Father of Accounting, introduced the double-entry bookkeeping to record each transaction twice. At that time, accounting was not even considered a profession but merely an extension to clerical work. Later in the late 18th and early 19th centuries, accounting developed further and came into its own as a profession (Kindig, 2019).

There are plenty of reasons for the growth of the accounting profession in this era, such as the growing economy, more Initial Public Offerings (IPOs), technological advancement, and globalisation. First, the economic growth of a country is determined by an increase in the capacity of the economy to produce goods and services. This phenomenon has a ripple effect on investors, businesses, consumers, and labour force. As a consequence, many more new companies have emerged, resulting in the need for more accountants as a greater number of financial records need to be analysed and reported (Sanders, 2018).

Next, in need of capital, growing companies often use IPOs to raise funds. The IPO process requires companies to follow specific rules, including preparing annual financial statements which must be audited by an approved audit firm. Furthermore,

quarterly financial statements need to be prepared and publicised to the public (Ong, 2013). As a result, once companies change their status from private to public, the number of financial statements that need to be produced also increases, hence making the role of accountants even more crucial. In the case of more established companies, they may also use an IPO to allow their inside shareholders to exit some or their entire ownership by selling shares to the public.

The rapid change in technology has also transformed the role of accountants, who require new skill sets. Formerly, accountants were burdened with task-oriented projects, but now, accounting software programs are automated, resulting in the shifting role of accountants to business advisors. The new skills required of the profession are scepticism, judgement, and critical thinking (Dallas Miles, n.d.). According to Pepe, (2011), even though technology eases the accountant's task by analysing the statistical values, the accountant's abilities are still needed to interpret data efficiently and effectively.

According to Wei (2008), globalisation has led to an increase in international trade, which opens up local economies to foreign investors. Therefore, accountants have the opportunity to work with multinational corporations. According to the technical director of Malaysian Accounting Standards Board (MASB), Tan Bee Leng, Malaysian accountants' ability and skills are relevant not only in Malaysia but also across the international border (Sani, 2016). The training that accountants have to undergo often exposes them to international business operations and experiences, thus widening their opportunity to work abroad. Furthermore, local accountants can collaborate with other accountants from diverse cultures and backgrounds. Indeed, globalisation has made an impact on each sector of the world economy directly or indirectly.

In 2004, Malaysia and other Association of Southeast Asian Nations (ASEAN) member countries had signed the Mutual Recognition Arrangement (MRA) which was designed to promote economic integration and increase trade between participants especially between nations (Apolinar et al., 2015). The countries involved are Brunei Darussalam, the Kingdom of Cambodia, the Republic of Indonesia, Lao People's Democratic Republic, Malaysia, the Union of Myanmar, the Republic of the Philippines, the Republic of Singapore, the Kingdom of Thailand, and the Socialist Republic of Viet Nam (ASEAN Mutual Recognition Arrangement on Accountancy Services, 2014). To achieve its aim, regulatory hindrance to the trade of goods and services needs to be reduced. Also, the MRA provides a framework for each professional service or ASEAN hub for talents such as engineering, finance, information and communication technology (ICT), business administration, science and healthcare ("Greater Kuala Lumpur ASEAN's rising hub for talent and innovation", 2014). However, this study focuses only on the MRA framework on accountancy services.

Eventually, on 26 February 2009, the Mutual Recognition Arrangement Framework on Accountancy Services (MRAAS) was authorised at Cha-am, Thailand. Above all, the framework gives more opportunities for accountants and professional service providers among the ASEAN countries. This is because the objective of the arrangement is to further widen the professional accounting services across the ASEAN countries. At the same time, the purpose is to enhance the supply of accountancy services and information exchange in order to promote the adoption of best practices on standards and qualifications (Apolinar et al., 2015).

Subsequently, the MRAAS was signed in November 2014, and the arrangement benefits Malaysia, especially on accounting services due to the country's vast pool of

talents and competitiveness. According to Johan Idris who is the managing partner at KPMG in Malaysia and the former president of the Malaysian Institute of Accountants (MIA) from 2013 to 2015, Malaysia is ready to become the net exporter of accountants to member countries (Shen, 2015). The movement of Malaysians to other ASEAN countries could bring back investments into the country. Furthermore, Malaysia should produce more qualified accountants and broaden the talent base to help the country to move forward.

1.2 STATEMENT OF THE PROBLEM

Malaysia aims to become a developed nation and a high-income country by the year 2020. It is believed that more chartered accountants are needed to drive the country's economic growth. However, Johan Idris, the former president of the MIA (2013–2015) stated that in article entitled “Making professional accountancy cool - The Star Online” in 2015 given the total population of 30 million, Malaysia is currently underserved in the professional accountants' segment. Hence, it is not in line with Malaysia's intention to become a leading accountancy hub in the Asia Pacific region by 2020.

The statistics provide an indication that there is an issue of supply and demand of accountants in Malaysia. According to Dato' Sri Wong Soon Koh, the former deputy chairman of Sibu Municipal Council, quoted the statement from the former second Finance Minister that according to the statistics, only 33,000 accountants are registered under the MIA (Pim, 2017). At that moment, the number of qualified accountants in Sarawak is only 1,848. It is a concern because by 2020, Malaysia needs around 60,000 qualified accountants due to higher demand in the future (Pim, 2017).

In 2010, the Economic Transformation Programme (ETP) was launched, and the government of Malaysia aims to produce 60,000 qualified accountants by the year 2020

to become a developed nation (Rajaendram, 2015). According to Bank Negara Malaysia (2014), the Malaysian economy grew by 6.2 per cent in the first quarter of 2014. This growth indicates that the number of businesses in Malaysia is increasing, reflecting the country's need for more professional accountants to fulfil the demand by corporations.

The statistics by the MIA shows only 9 per cent of the organisation's registered members are from the younger generation aged below 30. According to Edward Ling, the head of the Association of Chartered Certified Accountants (ACCA) Malaysia, one of the challenges is how to attract young people to join the profession since it will benefit them in terms of career opportunities, financial rewards, and opportunities for personal development. Datuk Tan Theng Hooi, the president of the Malaysian Institute of Certified Public Accountants (MICPA), agrees that it is challenging to attract the millennial or the younger generation into a career that is known to be rigid in terms of working hours and the ability to exercise creativity (MK Lee, 2018).

Further, for those who choose to become accountants the challenge is to retain them to be working in Malaysia (MK Lee, 2018). Hence, a collaboration between the government of Malaysia and companies must be established in order to ensure the environment of the workplace is conducive and the organisations are aware of what need to be done as to make the accounting job appears to be attractive.

1.3 MOTIVATION OF THE STUDY

The study is motivated by the issue of inconsistencies between the number of students graduate from the accounting degree programme and the number of graduates becoming professional accountants. According to Report on the Observance of Standards and Codes (ROSC), public universities are producing around 3,000 graduates with accounting degrees whereas private universities are producing 2,000 graduates,

annually (ROSC, 2012). However, the CSAP assumed that the number of professional accountants in Malaysia by 2020 is still insufficient since there will be approximately of 46,000 accountants will be produced instead of 60,000 (CSAP, 2014). Hence, this research is important because it may provide relevant information regarding the factors motivating students' intention and increase the number of professional accountants in the future.

Furthermore, this present study is also concerned with the impact of the internship programme towards accounting students' intention to become professional accountants. In the case of Malaysia, undergraduate students are required to complete the employment period of up to six months or industrial training with any organisation to fulfil the undergraduate degree requirement (CSAP, 2014). This programme is beneficial to enhance the undergraduates' work-life through added enthusiasm and commitment, provide an opportunity to engage with the profession to which they aspire in a realistic work environment, make them appreciate and understand the practical application of their academic programme, allow them to work with professional mentors, and to begin building networks within their profession (Hee, 2012). However, according to Ahmad, Ismail and Anantharaman (2015) and Wen, Yang, Bu, Diers, and Wang (2018), accounting students might choose other professions other than accountants due to bad experience during practical training. Therefore, the study is motivated to discover the impact of practical training among undergraduate students who have conducted practical training due to the clearer idea of becoming professional accountants or not.

1.4 OBJECTIVES OF THE STUDY AND RESEARCH QUESTIONS

1.4.1 Research Objective

The study aims to determine the factors that might motivate accounting students' intention to pursue the profession of a professional accountant.

1.4.2 Research Question

The research question of the study is:

1. What are the factors that influence accounting students' intention to pursue the profession of a professional accountant?

1.5 SIGNIFICANCE OF THE STUDY

Some previous studies focused on students from the first year to the final year or third and fourth year at the degree level. Instead of including the sample of accounting students from the degree level in general, this study attempted to explore the views on factors influencing students' intention to become a professional accountant among degree students who have undergone their practical training. It is essential to understand the differences among undergraduate students because the influential factors might be different between those who have and have not carried out the practical training due to possession of the different set of skills and knowledge. Therefore, the study is inspired to help accounting students to become professional accountants by exploring the potential factors influencing their intention. By discovering the factors influence students' intention, the talents or resources will not be wasted.

Furthermore, the study attempted to broaden the measure of influences of the third parties by expanding the proxy from family, friends and lecturers to supervisors, colleagues and role models to better understand the factors influencing students'

intention. With the change in students' environment and social circles, there are possibilities that students are more influenced by other factors as mentioned previously. Instead of conducting more seminars or talks, professional bodies should collaborate with companies that provide practical training placement for students to encourage the students to become professional accountants. So, the representatives of the organisations need to be active to promote their institutions by actually knowing what the students want for them to be motivated to pursue a professional qualification. Therefore, the study is important to the professional bodies in attracting more students to enrol for their professional programmes.

Besides, the study is important to the learning institutions because the university tends to produce many accounting graduates and yet the number of professional qualified accountants are insufficient. Undergraduate students in Malaysia who pursue a bachelor's degree in accounting are required to complete their studies within four years. During these four years of learning, students are equipped with adequate knowledge and skills to build their self-confidence to prepare them to become professional accountants. While some students might think a bachelor's degree is sufficient. However, in this competitive environment, it is hard for students to compete for better jobs due to the high number of unemployed graduates with a degree. Some students might hesitate, feel intimidated, or become uncertain due to the lack of guidance, advice, or information regarding the profession. Therefore, they have no idea on why they should become professional accountants. This study hopes to shed some insights as to how the learning institutions can play a role to guide and encourage the students to pursue professional qualifications and subsequently become professional accountants.

Finally, the findings of the study will be important to monitor the interest of local accountancy graduates to become professional accountants. Hence, more attention should be highlighted on increasing the number from 36,046 to 60,000 accountants to support the government by consistently advocating Malaysia's vision by 2050 (MIA, n.d.). This research is significant since government of Malaysia established the accountancy centre, IPAC Education under Universiti Teknologi Mara (UiTM) which was launched in 2015. According to Associate Professor Mahfudzah Mohamed, the IPAC Education director, the IPAC Education is established to boost the number of students taking professional exams (NST Education, 2018). Therefore, the findings in this study could increase students' enrolment for this centre.

1.6 STRUCTURE OF THE STUDY

The study is structured into six chapters, including this chapter. The first chapter contains an introduction of the dissertation, including an overview of the background of the study, problem statements, motivation of the study, research objectives, and research questions. Then the significance of the study was discussed before the structure of the study section.

The second chapter is the literature review chapter. This chapter includes an overview of the development of the Malaysian Institute of Accountants (MIA) and the routes to becoming professional accountants in Malaysia. The second part of the chapter reviews the literature concerning factors influencing students to pursue the profession to help define the parameters of the study. Finally, the chapter ends with the gap in the literature.

The third chapter focuses on the theoretical framework and hypotheses development. The social cognitive career theory (SCCT) is used to explain and develop relevant hypotheses.

The fourth chapter discusses the methodology of the research. It describes the sample, sample size, and how data were collected. This chapter also explains the statistical techniques used in this study.

Chapter Five is the chapter on results and analyses. This chapter presents the results of the statistical tests and discusses the findings. Finally, the final chapter concludes the study. This chapter consists of a discussion on the implications of the findings, limitations of the study, and recommendations for future research.

1.7 SUMMARY OF THE CHAPTER

The introduction chapter provided an overview of the study, including the background of the study, statement of the problem, the motivation of the study, research objective and research questions, and significance of the study. This chapter is followed by the literature review chapter, which discusses the previous literature.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This section provides an overview of the establishment of the accountancy body in Malaysia and reviews the literature on factors that motivate students' intention to become a professional accountant. Next, the second section explains the alternative routes that can be taken to become a professional accountant. Also, this section explains the theoretical framework underlying the studies and highlights the existing gap in the current literature.

2.2 THE DEVELOPMENT OF ACCOUNTING PROFESSION IN MALAYSIA

In 1958, there was a discovery on the connection between the accountancy profession and the economic development of Malaysia (CSAP, 2014). The Malaysian Association of Certified Public Accountants (MACPA) was incorporated in the same year after Malaysia (then known as Malaya) obtained independence from the British during the first Five-Year Plan (1956–1960). MACPA was established under Companies Ordinance (1940–1946) as a self-regulatory accountancy body with the purpose of providing accountants with an organisation to develop the status, theory, and practice of accountancy. Initially, agriculture was the largest sector of the economy employing 58 per cent of the labour force. Later, in the second Five-Year Plan (1961–1965) the transition to rural development included funding for infrastructure and social services. The increased sophistication of the economy led to the introduction of the Companies Act 1965 (CSAP, 2014).

The MIA was established under the Accountants Act 1967 as the regulatory body of the accounting profession in Malaysia. It is the only accountancy body empowered by law to regulate the accountancy profession in Malaysia and also to represent the voice of all accountants in the country, indirectly. The MIA is the body that regulates, develops, supports and enhances the integrity, status, and interest of the accounting profession in Malaysia. Also, the MIA has the responsibility to ensure that only suitably qualified persons are admitted to the profession. Based on Section 22 of the Accountants Act 1967, no one can use the title of an accountant unless they are members of the MIA (“Discover MIA,” n.d.).

The members of MIA are conferred with the designation of Chartered Accountant Malaysia or abbreviated as C.A.(M) (MIA, n.d.-b). There are three ways to obtain the MIA membership. Firstly, by being a member of professional accountancy bodies recognised by MIA (CSAP, 2014).

Secondly, by being a graduate in accountancy from approved institutions of higher learning (CSAP, 2014). Before they apply for MIA membership, minimum 3 years of work experience are needed once the students have fulfilled the academic qualifications. MIA has created the Chartered Accountants’ Relevant Experience (CARE) Programme to help aspiring accountants gain relevant working experience after completing their studies. Under this programme, a mentor will supervise the mentees until the minimum 3 years of working experience is complete (MIA, n.d.-a).

For the third route the students need to pass the MIA Qualifying Examination (MIA QE) which was introduced to equate accountancy qualifications with the equivalent approved local accountancy degrees if they go to the unrecognized university for their degree (CSAP, 2014). However, in year 2000 the power to conduct the examination has been removed due to the limitation of necessary tools to assess the